

Service Date: April 1, 1980

DEPARTMENT OF PUBLIC SERVICE REGULATION
MONTANA PUBLIC SERVICE COMMISSION

In the Matter of PACIFIC POWER)	
AND LIGHT COMPANY'S Proposed Ac-)	DOCKET NO. 6783
counting and Ratemaking Treatment)	
for the Bonneville Power Admini-)	ORDER NO. 4632
stration Wholesale Rate Increase.)	

APPEARANCES

FOR THE APPLICANT:

C. Eugene Phillips, Esq., Murphy, Robinson, Heckathorn & Phillips, One Main Building,
Kalispell, Montana 59901, representing Pacific Power and Light Company

Leonard A. Girard, Esq., Stoel, Rives, Boley, Fraser and Wyse, 900 SW Fifth Avenue,
Portland, Oregon 97204, representing Pacific Power and Light Company

FOR THE PROTESTANTS:

James C. Paine, Esq., Montana Consumer Counsel, 34 West Sixth Avenue, Helena,
Montana 59601

FOR THE COMMISSION:

Cal Simshaw, Esq.
Dan Elliott, Administrator, Utility Division
Eric Eck, CPA, Utility Division

BEFORE:

GEORGE TURMAN, Commissioner - Presiding Officer
CLYDE JARVIS, Commissioner
THOMAS J. SCHNEIDER, Commissioner
JAMES R. SHEA, Commissioner

FINDINGS OF FACT

PART A

1. Pacific Power & Light Company (Applicant, Pacific, or Company) is a public utility furnishing electric service to consumers in the State of Montana.
2. This Commission has jurisdiction over the rates and charges for, and the conditions under which, utility service is rendered in Montana.
3. Pacific obtains the energy and capacity required to serve its retail electric customers in Montana through a combination of its own system resources, short-term and long-term power purchase contracts, and purchases from the Bonneville Power Administration (BPA).
4. The costs of generating system power, of obtaining purchased power on contract, and of obtaining power from BPA are legitimate operating expenses which have been recognized and accepted by the Commission. Pacific obtains reimbursement for such legitimate operating expenses through their inclusion in determining the Company's revenue requirement and its resulting Montana electric rates.
5. Pacific's current and proposed Montana retail rates, as considered in Docket No. 6728, are based on the costs incurred in obtaining power from BPA based on BPA's rates in effect prior to December 20, 1979. On December 20, 1979, BPA substantially increased the rates charged Pacific for purchased energy and capacity.
6. Pacific has filed judicial and administrative challenges to the BPA rate increase.
7. On January 25, 1980, Pacific filed a petition for declaratory ruling with the Commission requesting that it allow Pacific to (a) defer and subsequently amortize the increased costs incurred due to the BPA rate increase prior to July 1, 1980, and (b) recover increased costs incurred as a result of the BPA rate increase from and after July 1, 1980.
8. On February 15, 1980, the Commission issued notice of a proposed hearing on the application for approval of the proposed accounting and ratemaking treatment de to the BPA wholesale rate increase.
9. No objection has been made to the adequacy or form of the February 15, 1980 notice or to the manner and times its issuance and publication.

10. On March 12, 1980, pursuant to the Commission's notice, hearings to receive evidence and allow cross-examination were conducted in Kalispell, Montana.

11. At the March 12, 1980 hearing, Applicant stated that it was willing, in order to expedite the issuance of an order, and to satisfy objections of the Montana Consumer Counsel and the Public Service Commission staff, to accept without contest the position that the rate increase should be on a prospective basis and should not allow for the deferral and amortization of the impact of the BPA rate increase prior to the order in these proceedings. In addition, Applicant stated that it would recover the impact of the BPA increase through a surcharge to Montana customers which will make available records as to the amount recovered in order to assure Montana ratepayers that any refund received from BPA would be distributed based on the amount paid. Any net refund to Pacific from BPA, whether in the form of a credit, cash or otherwise, brought about for any reason, including adjustments in BPA's rate as a result of judicial, administrative or other action; would in turn be refunded to Montana electric customers by Pacific. Furthermore, the amount of any partial refund would be calculated on the same basis which gave rise to the annual estimated cost to Montana electric ratepayers, with respect to the BPA rate increase, which was utilized by the Company and accepted by the Montana Consumer Counsel and Commission Staff in the proceedings.

12. Consumer Counsel and Staff Counsel, after having the opportunity to review Applicant's filing, did not state any objection to the filing as revised by Applicant.

PART B

13. Applicant presented the testimony and exhibits of Mr. Ralph F. Deesen and Mr. James T. Watson in support of the proposed increase.

14. The evidence established the BPA rate increase would produce a total annual revenue impact on the Company's system of \$10,305,105, consisting of a \$4,625,000 annual increase in revenue requirements attributable to firm capacity, a \$1,230,088 annual increase in revenue requirements attributable to the Hanford Exchange Agreement and a \$4,450,017 annual increase in revenue requirements attributable to nonfirm energy.

15. The evidence established that the annual increase in the cost of providing service to the Company's Montana customers, and the increased annual revenue requirement due to such costs, based on a 1978 test period, was \$276,924.

16. The Commission finds that the Company's annual system costs have increased by \$10,305,105 and that the Company's annual cost of providing service in Montana has increased by \$276,924, due to the EPA rate increase.

17. The Commission finds that unless the Company is given an opportunity to increase its rates in an amount sufficient to recover such cost increase, that the Company will not have a reasonable opportunity to earn the fair rate of return established by the Commission in Order No. 4401a.

PART C

Revenue Requirement

18. The Commission finds that the additional annual revenue requirement brought about by the BPA increase for the Company's Montana electric operations is \$276,924.

PART D

Rate Spread

19. The Commission finds that it is appropriate to apply the annual revenue impact of the BPA rate increase on an across-the-board basis producing an increase of 0.054 cents per kilowatt hour for all energy provided by Applicant. Applicant's billings shall show this increase as a surcharge, which shall be added to Applicant's billings for electric rates for service on and after April 1, 1980

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and proceedings in this matter pursuant to Title 69, Chapter 3, MCA.

2. The Commission has provided full and adequate public notice of all proceedings in this Docket

3. The rates authorized herein are just and reasonable.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Pacific Power & Light Company shall file rate schedules which reflect an annual revenue increase of \$276,924 for Montana electric service, based on the test period ending December 31, 1978.

2. The increased electric revenues authorized herein shall be distributed to Applicant. Applicant's customers on a uniform cents per kilowatt-hour basis.

3. The increased revenue granted herein is subject to rebate upon the conditions and in the manner described in Finding of Fact No. 11. The Commission specifically retains authority to review and approve any costs (litigation or otherwise) that are applied in calculating "net refund" as that term is used in Finding of Fact No. 11.

4. The schedules shall become effective for service rendered on and after April 1, 1980.

DONE IN OPEN SESSION at a meeting of the Montana Public Service Commission, held March 31, 1980, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Gordon E. Bollinger, Chairman

George Turman, Commissioner

James R. Shea, Commissioner

Clyde Jarvis, Commissioner

Thomas J. Schneider, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA, and Commission Rules of Practice and Procedure, esp. 38-2.2(64)-P2750, ARM.